

November 13, 2017

Office of the Secretary
PCAOB
1666 K Street, NW
Washington, D.C. 20006-2803

By e-mail: comments@pcaobus.org

Re: Supplemental Request for Comment – Proposed Amendments Relating to the Supervision of Audits Involving Other Auditors and Proposed Auditing Standard – Dividing Responsibility for the Audit with Another Accounting Firm

(Release No. 2017-005; PCAOB Rule Making Docket Matter No. 042)

Dear Mr. Secretary:

The New York State Society of Certified Public Accountants (NYSSCPA), representing more than 26,000 CPAs in public practice, business, government and education, welcomes the opportunity to comment on the above-captioned release.

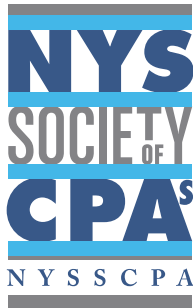
The NYSSCPA's SEC and Auditing Standards Committees deliberated the proposed standard and prepared the attached comments. If you would like additional discussion with us, please contact Joseph J. Puglisi, Chair of the SEC Committee, at (347) 505-6304, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,

A handwritten signature in black ink that reads "Harold L. Deiters III". The signature is written in a cursive style and is positioned over a faint, light blue watermark of the NYSSCPA logo.

Harold L. Deiters III
President

Attachment



**NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS**

COMMENTS ON

**SUPPLEMENTAL REQUEST FOR COMMENT – PROPOSED AMENDMENTS
RELATING TO THE SUPERVISION OF AUDITS INVOLVING OTHER AUDITORS
AND PROPOSED AUDITING STANDARD – DIVIDING RESPONSIBILITY FOR THE
AUDIT WITH ANOTHER ACCOUNTING FIRM**

(Release No. 2017-005; PCAOB Rulemaking Docket Matter No. 042)

November 13, 2017

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From the SEC Committee:

**Charles V. Abraham
Elliot L. Hendler
Nigyar Mamedova
Joseph J. Puglisi**

From the Auditing Standards Committee:

**Howard B. Levy
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NYSSCPA Staff

Ernest J. Markezin

New York State Society of Certified Public Accountants

Comments on

Supplemental Request for Comment – *Proposed Amendments Relating to the Supervision of Audits Involving Other Auditors and Proposed Auditing Standard – Dividing Responsibility for the Audit with Another Accounting Firm*

(Release No. 2017-005; PCAOB Rulemaking Docket Matter No. 042)

General Comments

The New York State Society of Certified Public Accountants (NYSSCPA) appreciates the opportunity to comment on the Public Company Accounting Oversight Board's (PCAOB or the Board) Release No. 2017-005, **Supplemental Request for Comment – *Proposed Amendments Relating to the Supervision of Audits Involving Other Auditors and Proposed Auditing Standard – Dividing Responsibility for the Audit with Another Accounting Firm*** (Proposed Amendments).

We support the PCAOB's efforts to strengthen the requirements for the lead auditor in the work of other auditors. The determination of whether the auditor's participation is sufficient to enable him/her to serve as the lead auditor is a matter of professional judgment and should not be a bright-line requirement as each audit presents unique challenges and characteristics. We also find that much of the language contained in the Proposed Amendments is prescriptive in nature and may negatively impact the auditor's ability to exercise of professional judgment.

Responses to Specific Questions from the Proposed Amendments

Presented below are our responses to selected questions from the Proposed Amendments.

Question 1: Is the revised requirement for determining the sufficiency of participation to serve as lead auditor, based on risk and importance of the locations, appropriate and clear?

Response: Yes, we believe that the proposed revised requirement is appropriate and clear.

Question 2: Is the additional sufficiency threshold for divided responsibility engagements clear? Should this be a bright-line requirement, or does this threshold need to allow for exceptional situations? Are there any other implications of this threshold that the Board should consider, such as investor protection implications or auditing challenges related to the revised requirement?

Response: Yes, we believe that the additional sufficiency threshold for divided responsibility is clear. We do not believe there should be a bright-line requirement because there might be certain

exceptional situations (however improbable) that might require professional judgment on the part of the auditor(s). We believe that the sufficiency threshold is consistent with prior practice and should not cause significant auditing challenges to implement.

Question 3: Are the revised requirements relating to the other auditors' compliance with the independence and ethics requirements appropriate? Are there any practical challenges associated with the revised amendments? If so, what are they, and how could the proposed requirements be revised to address the challenges?

Response: Gaining an understanding of the other auditors' process for determining compliance with SEC and PCAOB independence and ethics requirements is a significant improvement over requiring the lead auditor to assess the other auditors' knowledge of such requirements. We suggest that the understanding of the other auditors' process be limited to general observations and not require extensive detail. We also suggest that the requirement to gain an understanding of the other auditors' experience in applying the requirements is unnecessary and should be removed.

A written description of all relationships between the other auditor and the client or persons in financial reporting oversight roles that could appear to call into question the auditors' independence should only be required when the lead auditor determines that it is required, after he/she inquires about any such relationships.

A written representation about compliance or non-compliance with SEC independence and PCAOB independence and ethics requirements, and a description of any non-compliance is appropriate.

We agree that where the lead auditor becomes aware of contradictory information, the lead auditor should perform additional procedures to determine the effect of such information.

Question 4: Are the proposed amendments relating to the knowledge, skill, and ability of the other auditor, revised by this release, appropriate? Are there any practical challenges associated with the revised amendments? If so, what are they, and how could the proposed requirements be modified to address the challenges?

Response: No. We believe that the proposed amendments are not appropriate. Requiring inquiries about assignments and training of individuals, and then requiring consideration of responses to these inquiries would not be of added benefit to the audit and would be unnecessarily time consuming. The exercise would be redundant as any useful information about assignments and training can be found in peer review, internal inspection reports and similar documents.

Question 5: Are the proposed new addition to AS 1015 and revision to AS 1201 relating to other auditors' responsibilities appropriate and clear? Is it clear that AS 1015 already applies to referred-to auditors that perform audits under PCAOB standards?

Response: Providing the statement in AS 1015 that the work of other auditors are responsible for performing their work with due professional care is appropriate and clear.

Informing the other auditor of the necessary level of detail of the other auditors' description of audit procedures to be performed seems too granular. The lead auditor is responsible for supervising and reviewing the other auditors work so the inclusion of this statement does not add value.

Question 6: Are the proposed new additions to AS 2101.B2 appropriate and clear? Also, is it clear that the necessary level of detail of the other auditor's audit documentation that the lead auditor obtains and the necessary extent of the lead auditor's review according to requirements in proposed Appendix B of AS 1201 are scalable based on the factors in the existing standard regarding the necessary extent of supervision?

Response: Yes, the proposed new additions are clear and appropriate. We believe that scalability would be adversely affected by the prescriptive language found in the proposed amendments, which has the effect of restricting the auditor's exercise of professional judgment.

Question 7: Are the revised proposed requirements for situations in which the lead auditor directs another auditor to perform supervisory procedures with respect to a second other auditor on behalf of the lead auditor clear? If not, how should the revised proposed requirements be revised?

Response: We find that the revised proposed requirements for which the lead auditor directs the activities of other auditors whether that is done directly through the lead auditor or performed by another auditor on behalf of the lead auditor to be clear.

Question 8: Is the revision to the proposed standard relating to the division of responsibility when the company and its business unit use different reporting frameworks appropriate and clear?

Response: We find the revision to the proposed standard relating to the division of responsibility when the company and its business unit use different reporting frameworks to be clear.

Question 9: Is it clear how the proposed amendments and new standard (as revised by this release) relate to other amendments to auditing standards proposed or adopted by the Board since the 2016 Proposal.

Response: The proposed amendment does not address the lead auditor's responsibility for critical or key audit matters (CAMs or KAMs) reported by other auditors under the Auditor's Reporting Model, adopted June 2017. In addition, further clarification is needed to address the lead auditor's responsibilities for the use of specialist and internal auditors by other auditors not addressed in CAMs (or KAMs).

Question 10: Comment is requested on the matters discussed in this section. Would any revisions the Board is considering for adoption affect the scalability of PCAOB standards in this

area? Would any have a significant effect on the competitiveness of smaller audit firms? Would the revisions significantly change the costs and benefits associated with the proposed changes discussed in the 2016 Proposal? Are there any unintended consequences that the Board should consider? Are there any other matters not addressed in this release the Board should consider in its economic analysis?

Response: We do not see any issues with regard to scalability other than as set forth above in our response to Question 6. We have no comment regarding effects on the competitiveness of smaller audit firms – we believe it still remains to be seen. We do not believe that the revisions in the Proposed Amendment will significantly change the costs and benefits of the 2016 Proposal.